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11
12 **UNITED STATES DISTRICT COURT**
13 **CENTRAL DISTRICT OF CALIFORNIA**
14 **WESTERN DIVISION**

15 SECURITIES AND EXCHANGE
COMMISSION,

16 Plaintiff,

17 v.

18 STEVE CHEN, USFIA, INC.,
19 ALLIANCE FINANCIAL
GROUP, INC., AMAUCTION, INC.,
20 ABORELL MGMT I, LLC, ABORELL
ADVISORS I, LLC, ABORELL
21 REIT II, LLC, AHOME REAL
ESTATE, LLC, ALLIANCE
22 NGN, INC., APOLLO REIT I, INC.,
APOLLO REIT II, LLC, AMKEY, INC.,
23 US CHINA CONSULTATION
ASSOCIATION, and QUAIL RANCH
24 GOLF COURSE, LLC,

25 Defendants.

Case No. 2:15-CV-07425-RGK-PLA

**RECEIVER'S FORENSIC
ACCOUNTING REPORT**

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1 Thomas A. Seaman ("Receiver"), was appointed Permanent Receiver for
2 Court-appointed receiver for Defendants USFIA, Inc. ("USFIA"), Alliance Financial
3 Group, Inc., Amauction, Inc., Aborell Mgmt I, LLC, Aborell Advisors I, LLC,
4 Aborell REIT II, LLC, Ahome Real Estate, LLC, Alliance NGN, Inc., Apollo
5 REIT I, Inc., Apollo REIT II, LLC, Amkey, Inc., US China Consultation
6 Association, Quail Ranch Golf Course, LLC, and their subsidiaries and affiliates
7 (collectively, "Receivership Entities"). The Receiver hereby provides his Forensic
8 Accounting Report (the "Report") of the receipts and disbursements of the
9 Receivership Entities for the period from January 1, 2010 to the entry of the TRO on
10 September 28, 2015.

11 **I. OBJECTIVES, TIMEFRAME, METHODOLOGY AND LIMITATIONS**

12 The objectives of the Forensic Accounting Report are to: 1) identify assets of
13 the Receivership Estate; 2) identify potential recipients of ill-gotten gains and
14 fraudulent transfers; 3) determine the amount received for the personal benefit of the
15 Defendant, Steve Chen ("Chen"); 4) quantify investor losses; 5) establish the cost
16 basis of assets; 6) provide input for income tax returns; and 7) provide a basis for
17 distribution of funds recovered by the Receiver.

18 The starting point of this report is January 1, 2010. While it appears that the
19 Defendant's enterprises pre-date 2010, this date was selected as the starting point
20 because defendant USFIA was incorporated that year, and at the time, the
21 Receivership Entities only held cash of \$157,207, a comparatively low balance when
22 compared with the over \$197,000,000 received from investors over the next 5 years.
23 Importantly, and as a practical matter, banking records were available for that period
24 allowing for more accurate tracing of transactions. Finally, the choice of 2010 as a
25 starting point also makes sense because it is the year when the Receivership Entities
26 commenced procuring the assets that were ultimately recovered by the Receiver.

27 In order to achieve the objectives of the Forensic Accounting Report, a
28 Quickbooks file was created using a Chart of Accounts designed to collect cash

1 receipts and disbursements in a framework that matches the objectives of the report.
2 The Quickbooks file combines all cash receipts and disbursements into a relational
3 data base that allows the user to extract sources and uses of funds relative to: timing,
4 recipient, category, asset, and other attributes. Each and every deposit and
5 withdrawal was entered into a bank account in the Quickbooks file wherein it was
6 assigned to an account, a class, a subclass, and noted with a memo providing
7 additional pertinent information.

8 A Chart of Accounts designed to collect costs in logical categories is attached
9 as Exhibit A. Accounts were established to determine revenue, expenses, assets and
10 liabilities, disbursements, and transfers between the entities. The accounting
11 encompasses 17 entities that used 91 banks accounts. Each account was reconciled
12 by month and balances to the beginning balance in the account and the ending
13 balance in the account as of the date it was seized by the Receiver.

14 Classes for each entity were established to isolate activity for each corporate
15 entity that received investor funds. Sub-classes were established based on the
16 purpose of the financial transaction. For example, sub-classes were created to reflect
17 money raising, use of the investor proceeds, intercompany transfers where funds
18 were used for expenses of the enterprise, and transfers which appear to have been
19 solely for the personal benefit of Chen, his relatives and other insiders. The sub-
20 classes are thus referred to as: Money Raising, Money Investing, and Intercompany
21 Uses.

22 The Receiver had no access to the Defendant or to the employees that assisted
23 him in operating the enterprise. Therefore the Report is limited to facts and
24 conclusions that are either based on what is stated in the business records and bank
25 records, or that can logically be deduced from the data. As such, in some instances,
26 the Receiver may not be able to fully characterize the nature or reason for certain
27 transactions that are reflected in the books and records. Notwithstanding these
28

1 limitations, all receipts and disbursements have been accounted for and reconciled to
2 the bank records.

3 In addition, the Receiver discovered evidence that funds were being raised
4 from overseas investors and that these funds were not collected in the U.S. accounts.
5 Thus, to the extent that funds were raised and spent outside the United States, the
6 true extent of Chen's fraudulent scheme cannot be fully known. The Receiver also
7 faced significant issues with regard to both multiple languages and overseas financial
8 institutions. The lack of cooperation from these institutions and the language issues
9 posed additional limitations on the Receiver's full understanding of the scope of this
10 scheme.

11 II. EXECUTIVE SUMMARY

12 This receivership involves a complex and wide-ranging group of enterprises
13 and assets funded with the fruits of the fundraising scheme at the heart of the action
14 filed by the Securities and Exchange Commission ("Commission") against defendant
15 Chen. In its Order re Plaintiff's Motion for Summary Judgment, the Court found that
16 Chen operated a pyramid scheme in violation of federal securities laws. [Dkt. 167]
17 From January 1, 2010 and through the date of the Receiver's Appointment on
18 September 28, 2015, the Defendants raised approximately \$197 million from
19 investors. Of that amount, \$49.4 million was used to fund lavish lifestyles of Steve
20 Chen, his dependents and others including but not limited to \$1.1 million that was
21 used to purchase expensive vehicles. In addition, \$45.5 million was spent on real
22 estate, including 11 single family homes, some of which were occupied by insiders
23 or dependents of Chen. In addition, Chen purchased a hotel, an apartment building,
24 and several tracts and parcels of undeveloped land.

25 The cost of raising funds from the investors is reflected in the \$15.6 million
26 paid in commissions and expenses of the employees and other sales people who
27 raised funds from investors. In addition, the Defendants spent \$27.5 million to
28 operate the enterprise.

Remarkably, despite raising \$197 million from investors, Chen and the Receivership Entities only returned \$1.7 million to the investors. Moreover, there was only approximately \$27.4 million on hand when the Receivership Entities' assets were frozen and taken over by the Receiver. The following report details how the Receivership Entities used these extraordinary sums of money.

III. ANALYSIS AND CONCLUSIONS

A. Summary level sources and uses of investor funds.

Exhibit B provides a Profit & Loss Statement and Balance Sheet which form the basis for the following sources and uses of cash analysis.

Sources	\$ millions
Beginning cash	0.1
Investor Funds	197.0
Operating Revenue	8.2
Rental Revenue	2.1
Dividends and Interest	0.3
Mortgage proceeds	2.4
Credit card charges	0.3
Total Cash Inflows	210.3
Uses	
Payment to insiders	49.4
Real Estate Purchases	45.5
Operating Expenses	27.5
Commissions	15.6
Ornamental Jewelry	11.6
Amber	8.3

1	Vecast stock purchase	6.0
2	Precious Gems	5.4
3	Cost of Goods sold (Amkey and Amauction)	5.2
4	Real Property Expenses	3.3
5	Ammine Expenses	2.4
6	Funds returned to investors	1.8
7	Vehicles	0.4
8	Credit card payments	0.3
9	Mortgage principal paid	0.2
10	Jewelry supplies	0.1
11	Total Cash Out	183.0
12		
13	Ending cash to Receiver	27.4

14
15 B. Funds Raised by Entity.

16 The Receivership Entities raised \$197 million from investors representing the
17 vast majority of funds coming into the enterprise. Based upon the timing of
18 investments, the marketing materials being used during that the relevant time period
19 and other such indicators, the Receiver believes that approximately \$147 million was
20 raised from investors who were pursuing an investment in USFIA investment
21 packages and later, the Gemcoin related enterprise (collectively "USFIA Package
22 Investors"). These USFIA Package Investors accounted for nearly 75% of the total
23 funds raised from all investors. It is notable that the USFIA Package Investors' funds
24 were deposited into accounts of various Receivership Entities without any apparent
25 concern over the source of the money, the representations made to investors, or the
26 commingling of funds. The amounts invested by USFIA Package Investors were
27 paid to the following entities:

28

1	<u>USFIA Package Investors</u>	\$ millions
2	Ahome	\$46.8
3	Amauction	\$18.2
4	Amkey	\$48.4
5	<u>USFIA</u>	<u>\$33.6</u>
6	Total USFIA Package Investors	\$147.0
7	<u>Non- USFIA Package Investors</u>	
8	Aborell	\$0.1
9	Ahome	\$2.1
10	Alliance	\$11.2
11	Ally	\$4.4
12	Amkey	\$20.6
13	Apollo REIT	\$6.9
14	<u>Steamfont</u>	<u>\$4.6</u>
15	Total Non-USFIA Package Investors	\$50.0
16	Total investor funds	\$197.0

17 In addition to funds raised from investors, the Receivership Entities generated
18 revenue from Amkey and Amkey related entities which sold purported health and
19 beauty products using a multi-level marketing structure. Amkey product sales were
20 \$7.6 million over the nearly six-year period. Amauction generated revenue of
21 \$.6 million and the various real estate assets generated \$2.1 million in rental revenue.
22 Overall, when compared to the over \$197 million raised from investors, there was no
23 significant revenue generating activity other than raising funds from investors.

24 C. Use of Funds.

25 The total investor funds and revenue from other sources reflect total revenue
26 of \$210.3 million. The Receiver took possession of \$27.4 million at the time of his
27 appointment. The balance of \$183 million was spent as follows:

28

1 1. Payments to Insiders (\$49.4 million).

2 a. Steve Chen. Chen received direct cash payments of \$4,039,393
3 from investor funds. Chen also used investor proceeds to pay his personal expenses
4 of \$1,165,034. These amounts do not include significant payments to and on behalf
5 of numerous Chen dependents including but not limited to his spouse, former
6 spouses, girlfriends, and the mothers of his children. For example, the accounting
7 reflects payments to Gymboree, tuition for private middle and high schools, and
8 tuition for University of California at Irvine. Payments to and on behalf of Chen's
9 dependents and relatives are discussed in further detail below.

10 b. Yan Chen. Yan Chen is reportedly the brother of Chen. Yan
11 Chen received a minimum of \$9,100,792 from the Receivership Entities.

12 Yan Chen shared control over Amauction with Chen. Amauction
13 received \$18,233,872 of USFIA Package Investor funds. Amauction also benefitted
14 from the commingling of \$1,631,727 of additional investor money as discussed
15 below.

16 Yan Chen appears to have also controlled Ammine SRL, a Dominican
17 Republic entity. The Receivership Entities gave Ammine SRL \$425,285,
18 purportedly for the purchase of land by Ammine SRL in Dominican Republic. The
19 land was to purportedly be purchased for the purpose of mining amber.
20 Unfortunately, USFIA never held title to the land. Instead, the land was vested in the
21 name of Yan Chen or Ammine SRL. Ammine SRL also received \$12,810,000 in
22 intercompany transfers discussed in further detail below. Of these funds, \$8,816,000
23 was spent on raw amber, larimar and shells. \$2.363 million was used for operating
24 expenses consisting of payroll, equipment, supplies, and freight expenses. Mary
25 Oliva Alvarez Lam, who apparently operated the Dominican Republic operations,
26 received \$220,568, leaving \$1,162,270 unaccounted for.

27 Yan Chen operates Chenne Corporation, an active California
28 Corporation that is a reseller of jewelry. Recently Chenne Corporation listed its

1 business as real estate investment on its registration with the California Secretary of
2 State. Yan Chen's wife, Yaqin Jiao, is the sole officer of Chenne Corporation. Early
3 in the receivership, deliveries of ornamental jewelry materials addressed to 351 E.
4 Foothill Boulevard, Arcadia, California, were erroneously delivered by private
5 delivery services to 135 E. Live Oak in Arcadia, the location of Chen's business
6 operations.

7 The Receiver did not immediately assume possession of Chenne
8 Corporation. As the accounting work unfolded, it became clear that Chenne
9 Corporation received significant sums from Receivership Entities. More specifically,
10 Chenne received \$3,598,239.80. It was also learned that the Receivership Entities
11 paid over \$11 million for large quantities of ornamental and jewelry materials such
12 as turquoise, larimar and agate. However, no corresponding sales revenue to the
13 Receivership Entities was identified and it appears the Receivership Entities were
14 funding material purchases of jewelry for companies controlled by Yan Chen and
15 Yaqin Jaio. For example, Shiny Stones, a company controlled Yaqin Jaio, received
16 \$3,910,600. The Receiver could discern no consideration for these payments to
17 Shiny Stones.

18 c. Wei He. Wei He is reportedly a former spouse of Chen and
19 mother of his son Steven Chen. Wei was also a principal of Amkey, Inc. Ms. He
20 received \$1,538,427 in direct payments and personal expenses from the Receivership
21 Entities. The Receivership Entities also paid \$5,334,000 toward the purchase of two
22 residential properties which were held by entities controlled by Wei He.
23 Specifically, the Receivership Entities paid \$4,424,000 to purchase the property
24 located at 363 Monterey Pines in Arcadia, CA, and \$910,000 to purchase the
25 property located at 5088 Scholarship in Irvine, CA. Both properties have been
26 recovered by the Receiver as part of the Court-approved settlement with Wei He and
27 are currently under contract to sell pending Court approval.

28

1 d. Li Zhao. Li Zhao and Chen are the parents of David Chen.
2 Li Zhao received direct payments and payments of her expenses in the amount of
3 \$3,875,492.52. Among the payments were monthly lease payments on a Porsche of
4 \$3,100, the purchase of a Cadillac costing \$114,000, David Chen's tuition, and
5 countless payments to support Li Zhao's lifestyle (i.e., casinos, department stores,
6 etc.). Many of these payments were made beyond the statute of limitations.

7 Li Zhao claims to have owned Ally Investments whose accounts in the
8 amount of approximately \$3.1 million were frozen at the time of the TRO. Ally also
9 held a safety deposit box that contained \$100,000 that was frozen. Through a series
10 of arcane transactions among Ally, Li Zhao and the Receivership Entities, Li Zhao
11 received title to a property on Gainsboro Drive in San Marino, California costing
12 \$2,345,303.75.

13 The Receiver sought authority to pursue claims against Li Zhou. Before
14 commencing the litigation, the Receiver entered into a settlement with Li Zhao and
15 as a result took possession of the Gainsboro residence, the frozen funds and the
16 safety deposit box cash.

17 e. Luyang Li. Luyang Li is reportedly the current spouse of Chen
18 and mother of his two young children. Luyang Li received \$295,722 by way of
19 payroll checks and debit card withdrawals on Receivership Entity bank accounts.
20 The Receiver could not find any evidence that she was an employee or worked at the
21 enterprise.

22 f. Mo Chen. Mo Chen is Steve Chen's son. Mo Chen received
23 \$379,170 in direct payments, and \$179,171 in personal expenses paid on his behalf.
24 Steamfont Investment Group, a subsidiary and affiliate controlled by Mo Chen
25 received \$29,668. Mo Chen was also a principal of Amkey, Inc. and Amkey Global
26 as discussed in further detail below. Mo Chen directed the payment of \$200,000 of
27 funds into a real estate venture known as CMP Capital Investment, an asset that
28 Receiver was unable to recover.

1 g. Qun Yang. Qun Yang is reportedly a friend (and perhaps a
2 former spouse) of Chen. Qun Yang received direct payments of \$1,302,098. In
3 addition, Ahome, Inc. purchased a single-family residence at 1261 N. Vosburg in
4 Arcadia from Qun Yang and vested title in the name of Steamfont. The receivership
5 entities also funded the purchase of a property located at 42 Alta Street, Unit A,
6 which was placed in Qun Yang's name for no apparent consideration. On the basis
7 of these transactions the Receiver demanded turnover of the 42 Alta St. and 1261
8 N. Vosburg properties. The 42 Alta St. property was sold by Qun Yang and a
9 portion of the proceeds was paid to the Receiver. The 1261 N. Vosburg property was
10 similarly sold by the Receiver and the proceeds were retained for the benefit of the
11 estate.

12 2. Other Recipients of Ill-Gotten Gains.

13 Eiji Sakurada, also known as Solomon Yang and Solomon Sakurada
14 ("Sakurada"), reportedly a business associate of Steve Chen, received \$3.019 million
15 from the Receivership Entities. Chen had entered into agreement with Sakurada
16 wherein Ahome Real Estate, LLC would invest \$10,000,000 for a 50% interest in
17 J.A.C. Window, which owned land upon which J.A.C. Window would develop a
18 hotel to be known as the Huntington Palace. It does not appear that the venture ever
19 went forward, nor could the Receiver find evidence that the funds were returned to
20 the Receivership Entities.

21 John Wuo, who was a City of Arcadia councilmen and entities controlled by
22 him, received \$1.805 million from the Receivership Entities. The Receiver could not
23 ascertain why the money was paid to Mr. Wuo.

24 3. Payments to Overseas or Attenuated Corporate Entities.

25 Significant payments were made to corporate entities with only tenuous
26 connections to the Receivership Entities. Many of these entities were located in
27 foreign countries which limited the Receiver's ability to trace or recover proceeds. A
28 discussion of what is known and not known about these payments follows:

1 a. American Immigration Consultant, Ltd. (\$4,075,000). While the
2 Receiver does not have a complete understanding of the purpose or nature of the
3 disbursements made to American Immigration Consultant, Ltd., bank statements and
4 ledgers for an American Immigration Consultant, Ltd. were maintained in the
5 Receivership Entities' in-house accountant's office. The records reflect wires to an
6 HSBC Bank account in Hong Kong and were initiated by Chen or Yan Chen from
7 either USFIA or Amauction accounts. Moreover, just prior to the appointment of the
8 Receiver, Chen attempted to wire funds from an Amkey, Inc. bank account in the
9 amount of \$3,500,000 to American Immigration Consultant, Ltd. The bank's
10 compliance department would not allow the large transfer overseas. The Receiver
11 could not discern a valid business purpose for any of these transfers. Based upon the
12 Receiver's investigation and analysis, it is believed that Chen and his brother were
13 able to control these funds once they had been transferred overseas. American
14 Immigration Consultant, Ltd. shared an address with AMN, Ltd. which was an
15 affiliate of the Receivership Entities.

16 b. AMN, Ltd. (\$3,130,000). The Receiver was not able to determine
17 the nature or purpose of payments made to AMN, Ltd. The payments of \$3,130,000
18 were comprised of two wire transfers to Hong Kong banks from Amkey and
19 Amauction bank accounts. The Receiver was able to determine that AMN, Ltd. was
20 an affiliate based upon a review of the records and Chen's and/or Receivership
21 Entities' use of the AMN, Ltd. name on marketing materials, jewelry boxes and
22 jewelry bags. It is also described in records as the "group's jewelry brand" and held
23 the USFIA Jewelry Queen Pageants that were part of promotional events held for
24 Gemcoin investors. AMN, Ltd also shares an address with American Immigration
25 Consultant, Ltd.

26 c. Amkey International Entities (\$4,648,886). The Receivership
27 Entities disbursed \$4,648,886.55 to various Amkey entities operating in Korea,
28 Taiwan, Viet Nam, and Malaysia. Amkey and Amkey Global appear to have

1 operated businesses that sold health and beauty products using a multi-level
2 marketing structure. The Receiver believes that these payments were for the
3 operating expense of the overseas Amkey operations and their local executives.

4 The Receiver also notes that Amkey had product sales of \$7,579,382.33 and
5 spent \$4,469,922 for health and beauty products. However, after payment of payroll
6 and operating expenses, Amkey appears to have operated at a loss. At the time of the
7 Receiver's appointment, Amkey Global, which appeared to be a successor to Amkey,
8 was being managed by Mo Chen who had discussed potentially continuing to operate
9 Amkey Global after the Receiver's appointment. The financial terms, including
10 release of certain funds frozen by the Court, were not something the Receiver could
11 recommend to Court.

12 4. Summary of Real Estate Purchases.

13 Over \$45.5 million of the investor funds was spent on the purchase of real
14 estate. Most of the properties have been liquidated by the Receiver for the benefit of
15 the investors. A list of real estate assets purchased by the Defendants is as follows:

16 345 Oak Mountain, Bradbury	6,132,311.55
17 Hills Garden Hotel – Ostrems	5,862,328.85
18 409 Deodar	5,300,000.00
19 1221 S. Atlantic Blvd	5,232,273.03
20 363 Monterey Pines Dr Arcadia	4,424,000.00
21 135 E. Live Oak, Arcadia	3,999,851.87
22 Quail Ranch Golf Course	3,967,093.44
23 2857 Gainsborough	2,345,303.75
24 849 Balboa Dr. Arcadia	1,255,463.56
25 Almond St., Rancho Cucamonga	1,200,000.00
26 919 Fairview Ave, B Arcadia	921,754.01
27 5088 Scholarship, Irvine	910,000.00
28 42 Alta St, Unit A Arcadia	769,900.00

1	1261 N Vosburg Dr Azusa	734,462.16
2	2315 Club Vista Dr, Glendora	631,647.10
3	4116 Lynd Avenue	483,784.83
4	Dominican Republic Land	425,285.27
5	4050 Lynd Avenue	372,649.99
6	8280 Utica Avenue	353,364.03
7	CMP Capital Investment	200,000.00
8	Total Real Estate	45,521,473.44

9 With the exception of the Dominican Republic land, which the Receiver abandoned,
10 and the CMP Capital Investment, the Receiver took possession and disposed of all of
11 the foregoing properties.

12 5. Operating Expenses.

13 Approximately 14%, or \$27.5 million of the amount raised from investors was
14 spent operating the enterprise. Of this amount, payroll expenses were \$8.922
15 million. Merchant account fees paid to credit card processors that allowed the
16 Receivership Entities to take investor funds via credit card were \$3.239 million. The
17 operating expenses also include \$4.146 million in sales and marketing expenses,
18 including \$3.399 million spent on lavish conferences used to solicit funds from
19 investors. \$4.921 million was spent on travel expenses which included \$2.979
20 million for investor prospects and the \$1.943 million for the travel expenses of
21 distributors and sales personnel. \$2.446 million was spent on rent, office equipment
22 and office expenses. The remaining operating expenses are as set forth in various
23 smaller categories on the Profit & Loss Statement found in Exhibit B.

24 6. Commissions and Awards.

25 Commissions of \$14.404 million were paid to approximately 2,100 recipients.
26 In addition, certain individuals received gifts of ipads, cell phones, retail gift cards,
27 expensive designer bags, sporting event tickets and other awards valued in total at
28 \$1.201 million.

1 7. Ornamental and Semi-Precious Jewelry.

2 The Receivership Entities spent \$11.561 million on ornamental and semi-
3 precious jewelry. A portion of this amount was spent on hundreds of thousands of
4 simple rings made of silver and a material appearing to look like turquoise at a cost
5 of less than \$20 each. The Defendant's marketing materials represented that these
6 \$20 rings were worth \$10,000 each and were part of the tangible backing for
7 Gemcoins. The cost category also includes inventory purchases for the benefit of
8 companies controlled by Yan Chen and Yaqin Jaio.

9 8. Amber.

10 The heart of Chen's scheme was that the investors' Gemcoins would be backed
11 by and fluctuate with the value of amber. To further demonstrate this aspect of the
12 program, Gemcoin investors were given a small amount of amber of very little
13 pecuniary value in return for their Gemcoin investment. The Receivership Entities
14 spent \$8.312 million to purchase amber.

15 9. Vecast Stock.

16 In May, 2010, Alliance NGN, a receivership entity, bought \$6,000,000 in
17 Vecast, Inc., common stock. Vecast, Inc. was controlled by George Wu and
18 purported to develop and sell cable television equipment in China. The company is
19 now defunct.

20 The Receiver learned from company business records, and from investors, that
21 as early as 2004 Chen had issued stock in Amkey, Inc. In 2010, Chen sent notice
22 that the shares were being recalled and investors would receive shares in Vecast, Inc.
23 Some of these investors also bought more Vecast shares. In this manner, Chen raised
24 \$11.2 million from investors to support his Vecast investment. These funds are
25 reflected as *Investor Funds Alliance* on the Profit & Loss statement found in
26 Exhibit B.

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1 10. Precious Gems.

2 The Receivership Entities spent \$5.4 million on precious stones including
3 diamonds, rubies and emeralds. Other than six one carat loose diamonds found in
4 Chen's desk, the Receiver was not able to recover any of the precious gems.

5 11. Cost of Goods Sold.

6 The Receivership Entities purchased certain goods for resale. Amkey product
7 sales were \$7.579 million and there were corresponding purchases of health and
8 beauty products of \$4.470 million. In addition, while the exact nature of
9 Amauction's business is not entirely understood, it appears to have had revenue from
10 a few auctions of goods that generated revenue of \$596,000 with corresponding
11 product purchases of approximately \$289,000.

12 12. Real Property Operating Expenses.

13 As noted above, the Receivership Entities purchased over \$45 million in real
14 estate they spent \$3.2 million maintaining the properties including but not limited to
15 paying for repairs and maintenance, insurance, and property taxes.

16 13. Funds Returned to Investors (\$1.7 million).

17 As noted previously, only a small amount of money was returned to investors.
18 According to the records, the Receiver could only find payments to 37 investors who
19 received \$1.437 million in the return of their principal. In addition, 19 investors
20 received a total of \$302,408 in interest and purported dividend payments. It appears
21 that most, if not all of these payments were to Non-USFIA Package Investors and
22 many of the payments pre-date USFIA.

23 14. Credit Card Payments (\$.306 million).

24 The enterprise used credit cards to make certain expenditures. In total
25 \$350,585 was charged on credit cards. Payments of \$306,452 were made, and credit
26 card companies were owed \$44,133 at the time the Receiver was appointed.

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28

15. Mortgage Principal Paid (\$.169 million).

The Receivership Entities borrowed \$2.4 million on a mortgage to finance the purchase of an apartment building located at 1221 S. Atlantic in Alhambra, California. Payments of \$169,080.91 had been made on the loan at the time the Receiver was appointed.

D. Intercompany Transfers and Commingling.

Commingling of funds among the various Receivership Entities was substantial. Funds in the amount of \$95,509,646 were transferred between and among the Receivership Entities as indicated by the following schedule of amounts received from and paid to separate Receivership Entities and the net amount by which commingling benefitted or hurt that entity.

Entity	Payments from Affiliates	Payments to Affiliates	Net benefit/ (contributor)
Aborell Advisors	359,017	346,990	12,027
Aborell Invesment Assoc.	8,819	6,254	2,565
Aborell Investors LP	8,816	6,316	2,500
Aborell Mgmt. 1, LLC	576,356	944,000	(367,644)
Aborell REIT	500,000	400,000	100,000
Aborell REIT II, LLC	2,733,199	1,690,500	1,042,699
Ahome Real Estate	10,308,674	15,093,280	(4,784,606)
Alliance Financial Group	937,089	515,900	421,189
Alliance NGN	12,496,591	8,224,964	4,271,627
Ally Investors, LLC	1,521,492	100,000	1,421,492
Amauction, Inc.	21,555,027	19,953,300	1,601,727
Ameritra	20,000	49,984	(29,984)
Amkey, Inc.	3,160,046	29,389,540	(26,229,494)
Ammine SRL	12,810,000	-	12,810,000
Apollo Advisers I	693,595	683,342	10,253

1	Apollo Investment Assoc.	10,000	8,819	1,181
2	Apollo Investors LP	130,000	128,816	1,184
3	Apollo Mgmt, I, LLC	110,750	294,366	(183,616)
4	Apollo REIT I	5,236,279	2,796,361	2,439,918
5	Apollo REIT II	6,516,681	1,929,273	4,587,408
6	L'Be Group	3,104,000	2,681,687	422,313
7	One World Currency	100,000		100,000
8	Quail Ranch Gold Course	504,946	426,874	78,072
9	Steamfont Capital Inv Grp	2,100,000	4,500,000	(2,400,000)
10	Steamfont Invest Group	1,402,000	400,000	1,002,000
11	Hills Garden	500,000	-	500,000
12	US China Consulation	200,000	174,525	25,475
13	USFIA, Inc.	7,906,268	4,764,555	3,141,713
14	Total	95,509,646	95,509,646	-

15
16 Ammine SRL, Ltd. was the largest beneficiary of commingling and received
17 \$12,810,000 in intercompany transfers. Amkey, Inc. was the largest contributor and
18 made net intercompany transfers of \$28.375 million. It appears from the foregoing
19 analysis of intercompany transfers that nearly half the amount collected from
20 investors was commingled amongst the Receivership Entities.

21 IV. CONCLUSION

22 Chen established an arcane network of entities and bank accounts to facilitate
23 the flow of funds from the investors to himself and then commingled cash and assets
24 without any regard to corporate formalities whatsoever. The financial records of the
25 Receivership Entities indicate Chen's scheme to defraud purported investors of
26 nearly \$200 million was vast, and remarkably, it appears that aside from a few
27 people, none of the investors received any return on their investment. Nor could
28 investors have earned a return because their capital was never deployed for so-called

1 Gemcoins or any other crypto-currency. Instead, Chen and his dependents, relatives
2 and associates, misappropriated virtually all of the money to support their lavish
3 lifestyles as well as for their personal real estate and other assorted ventures. Chen
4 never created a crypto-currency backed the value of vast quantities of amber and
5 other precious stones. This, like the entire enterprise, was simply a sales pitch
6 directed to unwitting investors both in the United States and abroad.

7
8
9
10 Dated: December 16, 2019


THOMAS A. SEAMAN
Receiver

11
12
13
14 Dated: December 16, 2019

ALLEN MATKINS LECK GAMBLE
MALLORY & NATSIS LLP

15
16 By: /s/ David R. Zaro

17 DAVID R. ZARO
18 Attorneys for Receiver
THOMAS SEAMAN
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USFIA Forensic Accounting

Balance Sheet

As of Sept. 28, 2015

ASSETS

Current Assets

Checking/Savings

Amkey- Propay Meta Bank xx6584	86,739.28
USFIA - First Data	448,255.00
USFIA -Woodforest National Bank	107,959.78
Aborell Mgmt- BofA xx3688	38,792.77
Aborell REIT-Torrey Pns xx6620	101,122.17
Aborell REIT II -BofA xx3578	59,878.79
Aborell REIT II -Chase xx7101	7,552.43
Ahome Real Estate-BofA xx7811	3,199,031.12
Ahome Real Estate-BofA xx9668	100.00
Alliance Finl Group-BofA xx0086	1,246.87
Alliance NGN-First Ctzns xx6527	238.92
Alliance NGN, Inc -BofA xx0450	226,180.54
Aborell Advisors I- BofA xx3675	7,223.96
Alliance NGN, Inc -HSBC xx1938	155.27
Alliance NGN, Inc -HSBC xx5488	10.94
Alliance NGN, Inc -HSBC xx9610	58.70
Alliance NGN, Inc.-BofA xx9564	223,013.88
Ally Investors LLC -BofA xx6448	100,743.34
Ally Investors LLC -BofA xx7748	2,934,186.76
Amauction, Inc.-BofA xx7980	1,021,610.98
Ameritra, Inc.- BofA xx1564	13,672.74
Amkey-Nat'l Bank of Cal xx3589	4,122,380.92
Amkey Global Corp.-BofA 9167	1,818,341.49
Amkey Global Corp.-BofA 9277	100.00
Amkey, Inc.-BofA xx7970	719,543.70
Amkey, Inc.-BofA xx8413	3,757,476.71
Amkey, Inc.-BofA xx8465	20,000.00
Amkey, Inc.-BofA xx8517	2,525.00
Amkey, Inc.-Far East xx0567	2,093.47
Amkey, Inc.-Far East xx5135	999,843.20
Hills Garden Hotel -BofA xx8868	394,373.73
One Wrld Crrncy Fnd-BofA xx9058	85,000.00
Steamfont Investmt -BofA xx1235	495,305.57
Steamfont Investmt -BofA xx8477	5,953.49
Steamfont Invt-Scttrd/TDAxx7057	1,253,944.98
Steamfont Invt-Scttrd/TDAxx7058	43,084.99
US-China Cons.-BofA xx5788	0.09
US-China Cons.-BofA xx6580	9,479.12
USFIA - Bank of America xx0123	3,834,664.69
USFIA, Inc.-Far East xx4198	1,000,000.00
USFIA, Inc.-Far East xx4228	18,242.36
USFIA, Inc.-Wells Fargo xx0883	69,544.09
USFIA, Inc.-Wells Fargo xx7978	1,522.96

USFIA Forensic Accounting
#10470**Balance Sheet****As of Sept. 28, 2015**

USFIA, Inc. -BofA xx5882	100.00
USFIA, Inc. -BofA xx6182	76.00
USFIA, Inc. -BofA xx7578	193,207.65
USFIA, Inc. -First Bank xx3685	9,919.00
Total Checking/Savings	27,434,497.45

Other Current Assets	
Payments to Affiliates	95,509,646.08
Total Other Current Assets	95,509,646.08

Total Current Assets	122,944,143.53
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Fixed Assets

1221 S. Atlantic Blvd	5,232,273.03
1261 N Vosburg Dr Azusa	734,462.16
135 E. Live Oak, Arcadia	3,999,851.87
2315 Club Vista Dr, Glendora	631,647.10
2857 Gainsborough	2,345,303.75
345 Oak Mountain, Bradbury	6,132,311.55
363 Monterey Pines Dr Arcadia	4,424,000.00
4050 Lynd Avenue	372,649.99
409 Deodar	5,300,000.00
4116 Lynd Avenue	483,784.83
42 Alta St, Unit A Arcadia	769,900.00
5088 Scholarship, Irvine	910,000.00
8280 Utica Avenue	353,364.03
849 Balboa Dr. Arcadia	1,255,463.56
919 Fairview Ave, B Arcadia	921,754.01
Almond St., Rancho Cucamonga	1,200,000.00
CMP Capital Investment	200,000.00
Dominican Republic Land	425,285.27
Hills Garden Hotel - Ostrems	5,862,328.85
Quail Ranch Golf Course	3,967,093.44
Vecast, Inc. stock	6,000,000.00

Total Fixed Assets	51,521,473.44
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Other Assets

Company Vehicles	421,296.53
Total Other Assets	421,296.53

TOTAL ASSETS	174,886,913.50
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LIABILITIES & EQUITY**Liabilities****Current Liabilities****Credit Cards**

USFIA Forensic Accounting
#10471**Balance Sheet**

As of Sept. 28, 2015

Amauction BOFA CC XX6233	7,519.16
USFIA Bank of America Card 5429	36,613.10
Total Credit Cards	44,132.26
Other Current Liabilities	
Payments from Affiliates	95,509,646.08
Total Other Current Liabilities	95,509,646.08
Total Current Liabilities	95,553,778.34
Long Term Liabilities	
Notes Payable	
JP Morgan Chase - Alhambra	2,230,919.09
Total Notes Payable	2,230,919.09
Total Long Term Liabilities	2,230,919.09
Total Liabilities	97,784,697.43
Equity	
Opening Balance Equity	157,207.18
Retained Earnings	76,945,008.89
Total Equity	77,102,216.07
TOTAL LIABILITIES & EQUITY	174,886,913.50

USFIA Forensic Accounting

Profit & Loss

All Transactions

Sept. 28, 2015

Income

Amauction Revenue	596,035.40
Amkey Product Sales	7,579,382.33
Dividend and Interest income	301,875.91
Gemcoin Investor Funds	
Ahome for USFIA	46,755,104.60
Amauction for USFIA	18,233,871.81
Amkey for USFIA	48,420,896.81
Investor Funds USFIA	33,559,397.83
Total Gemcoin Investor Funds	146,969,271.05

Other Money Raising

Investor Funds Aborell	101,582.10
Investor Funds Ahome	2,124,970.42
Investor Funds Alliance	11,211,753.99
Investor Funds Ally	4,448,009.69
Investor Funds Amkey	20,587,910.43
Investor Funds Apollo REIT	6,914,499.75
Investor Funds Steamfont	4,625,274.98
Total Other Money Raising	50,014,001.36

Rental Income

Alhambra Gardens	1,511,808.40
Commercial	401,335.24
Hills Garden Hotel Revenue	181,771.92
Total Rental Income	2,094,915.56

Total Income	207,555,481.61
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Gross Profit	207,555,481.61
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Expense

Amauction Purchases	288,955.53
Ammine Operatng Expenses	2,365,263.81
Ammine Travel Expenses	10,779.50
Ammine Unspecified Disbursement	1,165,875.05
Bank service charges	72,682.57
Consignor Payments	12,001.75
Defendants and Insiders	
AMN, Ltd.	3,130,000.00
American Immigration Consultant	4,075,000.00
Amkey International Entities	4,477,120.38
Ammine BHD account	446,826.14
Eiji Sakurada	3,019,403.41
John Wuo, and entities	1,805,000.00

USFIA Forensic Accounting

Profit & Loss

All Transactions

	Sept. 28, 2015
L'BE Commodity Co, LTD	400,523.30
Li (Jennfier) Zhao	3,875,492.52
Luyang Li	295,722.12
Mary Oliva Alvarez Lam	220,568.46
Mo Chen	
Mo Chen Direct	379,170.57
Payments on behalf of Mo Chen	179,182.16
Steamfont Investment Group	29,667.85
Total Mo Chen	588,020.58
Offshore Entities - Use unknown	3,148,740.28
On behalf of Steve Chen	1,165,034.36
Other Insiders	3,871,035.45
Personal Expenses of insiders	2,923,979.17
Political Contributions	14,000.00
Qun Yang	1,302,098.26
Steve Chen	4,039,392.87
Wei (Grace) He	1,538,427.12
Yan Chen	
Chenne Corp	3,598,239.80
Shiny Stones	3,910,600.00
Yan Chen Direct	814,945.78
Yan Chen Mercedes	166,735.87
Yan Chen personal expenses	545,389.22
YaQin Jiao - Yan Chen's Wife	64,881.58
Total Yan Chen	9,100,792.25
Total Defendants and Insiders	49,437,176.67
Employee expense reimbursements	15,431.44
Guns and Ammunition	28,265.72
Immigration related	12,553.95
Insurance	
Auto	34,839.21
Liability	20,353.48
Wokers comp	21,354.73
Total Insurance	76,547.42
Interest Expense	14,887.14
Investors & Distributors	
Awards to distributors	1,200,903.94
Distributor Commissions & Bonus	14,404,018.63
Interest/gain paid to investors	302,408.01
Payments on behalf of investors	104,767.40
Principal Returned to Investors	1,437,256.73

USFIA Forensic Accounting

Profit & Loss

All Transactions

Sept. 28, 2015

Total Investors & Distributors	17,449,354.71
Legal Settlements	80,410.00
Licenses and Fees	62,714.87
Merchant Acct Fees and Discount	3,239,137.77
Mortgage Interest Expense	308,082.70
Office Equipment	384,794.31
Office expense	1,313,598.31
Payroll and Related	
Payroll- Employee Benefits	910,641.42
Payroll Expense	7,825,213.80
Weiwen Zhao	186,745.34
Total Payroll and Related	8,922,600.56
Professional Fees	
Accounting fees	146,338.60
Consulting Fees	71,745.00
Legal	515,503.21
Total Professional Fees	733,586.81
Purchases	
Health/Beauty Products	4,469,922.34
Jewelry/ Materials	
Amber	8,311,846.48
Gems Precious	5,423,311.85
Ornmtl & semi-precious jewelry	11,561,286.56
Supplies/Jewelry Equipment	61,902.98
Total Jewelry/ Materials	25,358,347.87
Shipping & Freight	476,827.30
Total Purchases	30,305,097.51
Real Property Expenses	
Hotel Operating Expenses	163,404.34
Improvements	413,289.96
Insurance	74,940.86
Outside Services	929,339.11
Property Taxes	941,278.24
Repairs & Maintenance	603,195.77
Utilities	174,083.15
Total Real Property Expenses	3,299,531.43
Rent Expense	747,570.64
Sales & Marketing Expense	
Advertising	472,746.04

USFIA Forensic Accounting**Profit & Loss****All Transactions****Sept. 28, 2015**

Conferences	3,399,045.01
EB5 Related Expenses	29,125.67
Printing and Sales Materials	245,706.42
Total Sales & Marketing Expense	4,146,623.14

Taxes

Income	179,421.68
Sales Tax	345,428.44
Unsecured Property Tax	28,469.56
Total Taxes	553,319.68

Travel & Entertainment

Meals & Entertainment	298,560.74
Mileage	82,400.72
Travel expense	
Distributors & Employees	1,942,716.01
Investor propsect	2,978,885.17
Travel expense - Other	169.52
Total Travel expense	4,921,770.70

Total Travel & Entertainment	5,302,732.16
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Unspecified expense	260,897.57
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Total Expense	130,610,472.72
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Net Income	76,945,008.89
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USFIA Forensic Accounting

Profit & Loss

All Transactions

Sept. 28, 2015

Income

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Investor Funds Ally	4,448,009.69
Investor Funds Amkey	20,587,910.43
Investor Funds Apollo REIT	6,914,499.75
Investor Funds Steamfont	4,625,274.98
Total Other Money Raising	50,014,001.36

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Ammine Operatng Expenses	2,365,263.81
Ammine Travel Expenses	10,779.50
Ammine Unspecified Disbursement	1,165,875.05
Bank service charges	72,682.57
Consignor Payments	12,001.75
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American Immigration Consultant	4,075,000.00
Amkey International Entities	4,477,120.38
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Eiji Sakurada	3,019,403.41
John Wuo, and entities	1,805,000.00

USFIA Forensic Accounting

Profit & Loss

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Luyang Li	295,722.12
Mary Oliva Alvarez Lam	220,568.46
Mo Chen	
Mo Chen Direct	379,170.57
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Total Mo Chen	588,020.58
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On behalf of Steve Chen	1,165,034.36
Other Insiders	3,871,035.45
Personal Expenses of insiders	2,923,979.17
Political Contributions	14,000.00
Qun Yang	1,302,098.26
Steve Chen	4,039,392.87
Wei (Grace) He	1,538,427.12
Yan Chen	
Chenne Corp	3,598,239.80
Shiny Stones	3,910,600.00
Yan Chen Direct	814,945.78
Yan Chen Mercedes	166,735.87
Yan Chen personal expenses	545,389.22
YaQin Jiao - Yan Chen's Wife	64,881.58
Total Yan Chen	9,100,792.25
Total Defendants and Insiders	49,437,176.67
Employee expense reimbursements	15,431.44
Guns and Ammunition	28,265.72
Immigration related	12,553.95
Insurance	
Auto	34,839.21
Liability	20,353.48
Wokers comp	21,354.73
Total Insurance	76,547.42
Interest Expense	14,887.14
Investors & Distributors	
Awards to distributors	1,200,903.94
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USFIA Forensic Accounting

Profit & Loss

All Transactions

Sept. 28, 2015

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Merchant Acct Fees and Discount	3,239,137.77
Mortgage Interest Expense	308,082.70
Office Equipment	384,794.31
Office expense	1,313,598.31
Payroll and Related	
Payroll- Employee Benefits	910,641.42
Payroll Expense	7,825,213.80
Weiwen Zhao	186,745.34
Total Payroll and Related	8,922,600.56
Professional Fees	
Accounting fees	146,338.60
Consulting Fees	71,745.00
Legal	515,503.21
Total Professional Fees	733,586.81
Purchases	
Health/Beauty Products	4,469,922.34
Jewelry/ Materials	
Amber	8,311,846.48
Gems Precious	5,423,311.85
Ornmtl & semi-precious jewelry	11,561,286.56
Supplies/Jewelry Equipment	61,902.98
Total Jewelry/ Materials	25,358,347.87
Shipping & Freight	476,827.30
Total Purchases	30,305,097.51
Real Property Expenses	
Hotel Operating Expenses	163,404.34
Improvements	413,289.96
Insurance	74,940.86
Outside Services	929,339.11
Property Taxes	941,278.24
Repairs & Maintenance	603,195.77
Utilities	174,083.15
Total Real Property Expenses	3,299,531.43
Rent Expense	747,570.64
Sales & Marketing Expense	
Advertising	472,746.04

USFIA Forensic Accounting

Profit & Loss**All Transactions****Sept. 28, 2015**

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Unsecured Property Tax	28,469.56
Total Taxes	553,319.68

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Mileage	82,400.72
Travel expense	
Distributors & Employees	1,942,716.01
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Total Travel expense	4,921,770.70

Total Travel & Entertainment	5,302,732.16
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Unspecified expense	260,897.57
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Total Expense	130,610,472.72
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Net Income	76,945,008.89
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PROOF OF SERVICE

Securities and Exchange Commission v. Steve Chen, USFIA, Inc., et al.,
USDC, Central District of California – Case No. 2:15-cv-07425-RGK-PLA

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action. My business address is 865 S. Figueroa Street, Suite 2800, Los Angeles, California 90017-2543.

On **December 19, 2019**, I caused to be served on all the parties to this action addressed as stated on the attached service list, the document entitled:

RECEIVER'S FORENSIC ACCOUNTING REPORT

- ☐ **OFFICE MAIL:** By placing in sealed envelope(s), which I placed for collection and mailing today following ordinary business practices. I am readily familiar with the firm's practice for collection and processing of correspondence for mailing; such correspondence would be deposited with the U.S. Postal Service on the same day in the ordinary course of business.
- ☐ **OVERNIGHT DELIVERY:** I deposited in a box or other facility regularly maintained by express service carrier, or delivered to a courier or driver authorized by said express service carrier to receive documents, a true copy of the foregoing document(s) in sealed envelope(s) or package(s) designed by the express service carrier, addressed as indicated on the attached service list, with fees for overnight delivery paid or provided for.
- ☐ **HAND DELIVERY:** I caused to be hand delivered each such envelope to the office of the addressee as stated on the attached service list.
- ☐ **ELECTRONIC MAIL:** By transmitting the document by electronic mail to the electronic mail address as stated on the attached service list.
- ☒ **E-FILING:** By causing the document to be electronically filed via the Court's CM/ECF system, which effects electronic service on counsel who are registered with the CM/ECF system.
- ☐ **FAX:** By transmitting the document by facsimile transmission. The transmission was reported as complete and without error.

I declare that I am employed in the office of a member of the Bar of this Court at whose direction the service was made. I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct. Executed on **December 19, 2019** at Los Angeles, California.

/s/ Martha Diaz
Martha Diaz